

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Plan, Inc. Third Quarter)	GMCB-006-16rr
2016 and Fourth Quarter 2016)	
Large Group HMO Rate Filing)	SERFF No.: MVPH-130467866
)	

DECISION & ORDER

Introduction

Vermont law requires that health insurers submit major medical rate filings to the Green Mountain Care Board which shall approve, modify, or disapprove the filing within 90 calendar days of its receipt. 8 V.S.A. § 4062(a)(2)(A). On review, the Board must determine whether the proposed rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust, unfair, inequitable, misleading or contrary to Vermont law. 8 V.S.A. § 4062(a)(3).

Procedural History

On February 29, 2016, MVP Health Plan, Inc. (MVPHP) submitted its Third Quarter 2016 (3Q16) and Fourth Quarter 2016 (4Q16) Large Group HMO Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF).¹

On April 18, 2016, the Board posted to the web the Department of Financial Regulation's (Department) analysis regarding the filing's impact on the insurer's solvency. On April 29, 2016, the Board posted to the web an actuarial memorandum provided by its contract actuaries, Lewis & Ellis (L&E). The Board received no public comment on the filing.

The Board declined to hold a hearing on this filing because it proposes a rate change of less than 3% and affects no covered lives in Vermont. GMCB Rule 2.000, § 2.309(a).

Findings of Fact

1. MVPHP is a non-profit New York health insurer licensed as a health maintenance organization (HMO) in New York and Vermont. MVPHP is owned by MVP Health Care, Inc. (MVP), a New York corporation that transacts health insurance business in New York and Vermont through a variety of for-profit and non-profit subsidiaries.

¹ The contents of the SERFF filing and all documents referenced in this Decision and Order can be found at http://ratereview.vermont.gov/rate_review_mvph-130467866.

2. This filing proposes rates and demonstrates premium development for MVPHP's large group HMO products for group policies beginning 3Q16 and 4Q16. There are no covered lives or policies currently in force in Vermont.

3. MVPHP proposes an overall annual rate change of -4.4% for 3Q16, and -5.7% for 4Q16. Since MVPHP did not file rates on this product for the first and second quarters of 2016, these proposed rate changes are relative to approved rates for 3Q15 and 4Q15.

4. Since MVPHP cannot rely on current Vermont experience data to rate its HMO products, the company relies on its large group HMO claims data from November 1, 2014 through October 31, 2015 as the base experience period. MVPHP then projected the base period data forward one year by using an annual paid medical trend of 3.1% and an annual paid pharmacy trend of 11.0% to generate 3Q16 rates. A further quarter of trend was used to build 4Q16 rates.

5. MVPHP used a paid pharmacy trend factor in its rate development that was supplied by its newly-contracted pharmacy benefit manager (PBM) and derived from nationwide rather than Vermont-specific claims data.

6. MVPHP assumes a general administrative expense load of 8.0%, and proposes a 2.0% contribution to reserve.²

7. MVPHP anticipates that the proposed rates would generate a traditional loss ratio of 84.4%. The anticipated loss ratio using the federal formula is 88.1%.³

8. Pursuant to 8 V.S.A. § 4062(a)(3), the Department assessed the impact of the proposed filing on the carrier's solvency. Noting that it is not MVPHP's primary regulator, that New York State regulators have expressed no concerns about the company's solvency, and that all of MVP's health operations in Vermont account for approximately 3.7% of its total premiums earned, the Department determined that the carrier's Vermont operations pose little threat to the company's solvency. *See Solvency Analysis at 2.*

² In various documents submitted with this filing, the terms "contribution to surplus" and "contribution to reserve" are used interchangeably. For the purpose of this Decision & Order, the latter term is used for consistency and because the funds at issue are not extra, or "surplus" funds, but are funds reserved solely to cover anticipated future claims.

³ As opposed to calculation of the traditional loss ratio, calculation of the federal minimum loss ratio under the ACA allows insurers to adjust for quality improvement activities and expenditures on taxes, licensing and regulatory fees.

9. Because there are no covered lives in Vermont at the time of filing, L&E performed an abbreviated review of this filing. L&E opines that MVPHP's rate methodology concerning medical trend and administrative cost is reasonable and appropriate, and L&E makes no alternate recommendations. *See* L&E Analysis at 3-4.

10. L&E recommends that the pharmacy trend be modified to reflect the one-time cost savings associated with switching to a new pharmacy benefit manager in 2015, reducing the proposed average annual rates by approximately 0.1%. *Id.* at 4.

11. L&E recommends making no further reductions to MVPHP's proposed rates. L&E opines that because the experience data on the product is limited, and because the adjusted base-period experience data lowers premiums substantially, ordering further decreases would run a "serious risk" of inadequate rates and higher future increases. *Id.*

Standard of Review

1. The Board reviews rate filings to ensure that rates are affordable, promote quality care, promote access to health care, protect insurer solvency, and are not unjust, unfair, inequitable, misleading, or contrary to Vermont law. 8 V.S.A. § 4062(a)(3); GMCB Rule 2.000, § 2.301(b). In addition, the Board takes into consideration changes in health care delivery, changes in payment methods and amounts, and other issues at its discretion. 18 V.S.A. § 9375(b)(6); GMCB Rule 2.000 at § 2.401.

2. In arriving at its decision, the Board will consider the Department's analysis and opinion of the impact of the proposed rate on the insurer's solvency and reserves. 8 V.S.A. § 4062(a)(3).

3. The insurer proposing a rate change has the burden to justify the requested rate. GMCB Rule 2.000 at, § 2.104(c).

Conclusions of Law

1. We agree with and adopt L&E's recommendations to modify the pharmacy trend to reflect the one-time cost savings associated with MVPHP switching to a new pharmacy benefit manager in 2015, resulting in an approximately 0.1% decrease to the proposed rates.

2. With this modification, we estimate that the proposed rate changes will be reduced from -4.4% to approximately -4.5% for members enrolling in 3Q16, and from -5.7% to approximately -5.8% for those enrolling in 4Q16.

3. We agree with and adopt L&E's recommendation to make no further modifications to the filing.

Order

For the reasons discussed above, the Board modifies and then approves MVPHP's 3Q16 and 4Q16 Large Group HMO Rate Filing. Specifically, the Board orders that MVPHP adjust its pharmacy trend to reflect savings associated with using its new PBM. The effect of this modification will be an average annual rate change of approximately -4.5% for members enrolling in 3Q16, and approximately -5.8% for those enrolling in 4Q16.

SO ORDERED.

Dated: May 27, 2016 at Montpelier, Vermont

<u>s/ Alfred Gobeille</u>)	
)	
<u>s/ Cornelius Hogan</u>)	GREEN MOUNTAIN
)	CARE BOARD
<u>s/ Jessica Holmes</u>)	OF VERMONT
)	
<u>s/ Betty Rambur</u>)	
)	
<u>s/ Allan Ramsay</u>)	

Filed: May 27, 2016

Attest: s/ Janet Richard
Green Mountain Care Board, Administrative Services Coordinator

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Board (by e-mail, telephone, or in writing) of any apparent errors, so that any necessary corrections may be made. (E-mail address: Janet.Richard@vermont.gov). Appeal of this decision to the Supreme Court of Vermont must be filed with the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.